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COMPULSORY LICENSING OF A TRADEMARK

VINCENT N. PALLADINO*

Like most rights, the rights in a trade-mark can be abused; but since mankind has found the trade-mark a useful device for some centuries, it is hardly likely that it has been reserved to present day critics to be the first [to] discover their iniquitous (as they say) character. The problem today is to adapt the trade-mark constructively to modern conditions and at the same time to preserve its useful features. This problem is not for the courts alone.¹

INTRODUCTION

Several processors of lemon juice may soon be marketing their products under the "ReaLemon" trademark, which since 1962 has been owned exclusively by Borden, Inc. This surprising possibility is the result of a recent administrative finding that Borden has used the trademark to acquire and maintain monopoly power in the processed lemon juice market.² In order to restore competition, an administrative law judge of the Federal Trade Commission (FTC) has ordered Borden to grant to any lemon juice

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1. 1 H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADEMARKS § 190a, at 526 (4th ed. 1947).

2. Borden, Inc., No. 8978 (FTC, Initial Decision Aug. 19, 1976). [A summary of the findings and portions of the order are printed in 3 TRADE REG. REP. (CCH) ¶ 21,194, at 21,107 (1977). Parallel citations are provided where possible.]

The initial decision holds that Borden's practices violated section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 (1970 & Supp. IV 1974), which provides in pertinent part:

(a)(1) Unfair methods of competition in commerce, and unfair . . . acts or practices in or affecting commerce, are declared unlawful.

(b) Whenever the Commission shall have reason to believe that any . . . corporation has been or is using any unfair method of competition or unfair . . . act or practice in or affecting commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such . . . corporation a complaint stating its charges in that respect . . .

It has been held that a violation of the substantive provisions of the Sherman Antitrust Act, 15 U.S.C. §§ 1-7 (1970), or of the Clayton Act, 15 U.S.C. §§ 12-27 (1970), is a violation of section 5 of the Federal Trade Commission Act. *United States v. St. Regis Paper Co.*, 285 F.2d 607, 610 n.4 (2d Cir. 1960), *aff'd*, 368 U.S. 208 (1961). The creation and maintenance of monopoly power alleged in *Borden* is a violation of section 2 of the Sherman Antitrust Act, 15 U.S.C. § 2 (1970), and as such is within the scope of section 5. *Borden, Inc.*, slip op. at 156-62.

The initial decision has been appealed to the FTC. Oral argument was heard on February 16, 1977. No decision of the Commission has been issued to date.

processor a license to use the name and label design of "ReaLemon."³

Compulsory licensing of a trademark for a violation of anti-trust law is a novel remedy.⁴ The purpose of this article, therefore, is to determine whether, in general, the remedy is an appropriate one, by considering its possible justifications, identifying the trademark interests it affects, and balancing those interests against the objectives of antitrust law.

I. SUGGESTED RATIONALES FOR COMPULSORY LICENSING OF A TRADEMARK

It is well settled that the FTC has broad discretion to formulate a remedy, once an antitrust violation has been found;⁵ yet it is equally clear that its discretion is not without limits.⁶ A remedy must be reasonably related to the violation sought to be cured⁷ and must be in the public interest.⁸

3. The order in *Borden* provides in pertinent part:

[R]espondent, Borden, Inc., a corporation, for a period of ten (10) years from the date of this order, upon written request from any person, partnership, corporation or business entity engaged in or desiring to enter the business of producing and marketing processed lemon juice, [shall] grant a license to such person, partnership, corporation or business entity to use the name "ReaLemon" and the label design of ReaLemon on containers of reconstituted lemon juice.

Slip op. at 167, 3 TRADE REG. REP. (CCH) ¶ 21,194, at 21,108.

That the primary objective of the order is to restore competition is made clear earlier in the opinion. "The heart of the monopoly power preserved and maintained by respondent Borden lies in the ReaLemon trademark and its dominant market position. For competition to enter the processed lemon juice industry, the barrier to entry which inheres in the ReaLemon trademark must be eliminated." Slip op. at 164.

4. See notes 9 & 10 *infra* & accompanying text.

5. See, e.g., *Atlantic Ref. Co. v. FTC*, 381 U.S. 357, 376 (1965); *FTC v. Colgate-Palmolive Co.*, 380 U.S. 374, 392-95 (1965); *Jacob Siegel Co. v. FTC*, 327 U.S. 608, 611 (1946); *Adolph Coors Co. v. FTC*, 497 F.2d 1178, 1189 (10th Cir. 1974), *cert. denied*, 419 U.S. 1105 (1975); *Alterman Foods Inc. v. FTC*, 497 F.2d 993, 997 (5th Cir. 1974); *Sunshine Art Studios, Inc. v. FTC*, 481 F.2d 1171, 1175 (1st Cir. 1973); *P.F. Collier & Son Corp. v. FTC*, 427 F.2d 261, 276 (6th Cir.), *cert. denied*, 400 U.S. 926 (1970).

6. See, e.g., *FTC v. Universal-Rundle Corp.*, 387 U.S. 244, 251 (1967); *Marco Sales Co. v. FTC*, 453 F.2d 1, 6 (2d Cir. 1971); *L.G. Balfour Co. v. FTC*, 442 F.2d 1, 24 (7th Cir. 1971).

7. See, e.g., *FTC v. Universal-Rundle Corp.*, 387 U.S. 244, 251 (1967); *Atlantic Ref. Co. v. FTC*, 381 U.S. 357, 377 (1964); *Alterman Foods, Inc. v. FTC*, 497 F.2d 993, 997 (5th Cir. 1974); *Adolph Coors Co. v. FTC*, 497 F.2d 1178, 1189 (10th Cir. 1974), *cert. denied*, 419 U.S. 1105 (1975); *Sunshine Art Studios, Inc. v. FTC*, 481 F.2d 1171, 1175 (1st Cir. 1973); *L.G. Balfour Co. v. FTC*, 442 F.2d 1, 24 (7th Cir. 1971); *P.F. Collier & Son Corp. v. FTC*, 427 F.2d 261, 276 (6th Cir.), *cert. denied*, 400 U.S. 926 (1970).

8. See, e.g., *Atlantic Ref. Co. v. FTC*, 381 U.S. at 369; *P.F. Collier & Son Corp. v. FTC*, 427 F.2d at 267; *Saucke v. FTC*, 333 F. Supp. 1197, 1199 (N.D. Ga. 1971); 15 U.S.C. § 45(b) (1970).

Identification of the arguments in favor of compulsory licensing of a trademark is difficult, since the remedy has never before been ordered by a court or administrative body.⁹ Consequently, few of the leading treatise writers who are concerned with trademarks and the relationship between antitrust and trademark law have considered the topic.¹⁰ One leading authority who has suggested that "'divestiture' or compulsory licensing of trademarks can be used to remedy an antitrust violation,"¹¹ nonetheless cautions that case law has labeled divestiture a drastic remedy that should be used sparingly.¹² Moreover, none of the cases cited in support of his position actually involved compulsory licensing.¹³ Rather, each case proposed divestiture, and it will readily be seen that divestiture is not the equivalent of compulsory licensing. In divestiture, the exclusive right to use a trademark is transferred from one source to another, whereas compulsory licensing invalidates a trademark by a general grant of the right to its use.¹⁴

A review of the developments leading to the *Borden* decision sheds little light on the compulsory licensing issue.¹⁵ It is fair to

9. In two antitrust cases, defendants entered into consent decrees providing, *inter alia*, that they "dedicate . . . to the public" certain of their trademarks. *United States v. A.B. Dick Co.*, 1948-1949 Trade Cas. 62,357, 62,360-61 (N.D. Ohio 1948); *United States v. Wallace & Tiernan Co.*, 1954 Trade Cas. 69,681 (D.R.I.). Assuming that at least the effect of dedication and of compulsory licensing of a trademark would be similar, neither decree gives any clue as to the need or reasons for the adoption of the remedy.

10. See, e.g., 1-2 H. NIMS, *supra* note 1; 1-5 R. CALLMANN, *UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES*, (3d ed. 1967); J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* (1974). There are three possible explanations for this lack of precedent. Licensing of a trademark in any manner is a relatively recent legal development. See text accompanying notes 79-80 *infra*. Similarly, the search for remedies to cure an antitrust violation involving the use of a trademark is a comparatively new undertaking. See Nims, *Basic Trends in the Relation of General Unfair Competition Law to Antitrust Law*, 39 TRADEMARK REP. 279, 281 (1949). Finally, even less far reaching remedies, such as divestiture, have been recognized as drastic and are a means of last resort for curing violations of antitrust law. *Switzer Bros. v. Locklin*, 297 F.2d 39, 48-49 (7th Cir. 1961).

11. 2 J. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 31:23, at 415 (1973).

12. *Id.*

13. *Philip Morris, Inc. v. Imperial Tobacco Co.*, 251 F. Supp. 362 (E.D. Va. 1965), *aff'd*, 401 F.2d 179 (4th Cir. 1968); *United States v. General Elec. Co.*, 115 F. Supp. 835 (D.N.J. 1953).

14. See text accompanying note 143 *infra*. McCarthy appears to have reconsidered his position. He opposed compulsory licensing of a trademark in a speech delivered to the United States Trademark Association Annual Meeting in San Francisco on May 3, 1977. See PAT. T.M. & COPYRIGHT J. (BNA) No. 330, May 26, 1977, at A-10 to -12.

15. In the mid-1960's, attorneys at the FTC brought pressure to bear upon the Commission to institute a series of actions aimed at deconcentrating a number of the nation's major oligopolies. The so-called "Cereal Case," *Kellogg Co.*, No. 8883 (FTC, filed April 26, 1972), is a result of such pressure. See Memorandum from Rufus E. Wilson, Chief of the Division of General Trade Restraints, to the Commission, "Request for Authorization for Investigation of the Breakfast-Cereal Industry" (June 4, 1969), reprinted in 4 ANTITRUST

suggest that the FTC views compulsory licensing of a trademark as a potent weapon in the battle against oligopoly,¹⁶ but this speaks more to the motive underlying the application of the remedy than to the justification for its imposition.

The remedy of compulsory licensing finds direct support in neither case law nor commentary. There are, however, five rationales which warrant critical examination.

A. *Genericness and Monopoly Power*

It has been asserted that judicial power to declare a trademark to be a generic term provides support for compulsory trademark licensing.¹⁷ This contention presents what is superficially the strongest argument in favor of the remedy, but embodies what is in reality the most fundamental misconception surrounding the subject. The fact that a generic term—which is worthless as a trademark because anyone may use it—may be declared to be generic does not support compulsory licensing. A declaration of genericness gives official recognition to the fact that a term is incapable of functioning as a trademark, whereas compulsory licensing prevents a term from so functioning. The former practice furthers both trademark and antitrust interests; the latter impairs trademark interests without adequately promoting antitrust interests.

It is an axiom of trademark law that a term which is the

L. & ECON. REV., No. 4, at 59 (1971). The "Cereal Case" is the first of what may turn out to be a series of actions brought by the government to reduce such economic concentration. See Memorandum from John R. Ferguson, Bureau of Competition, to the Commission, "The Case for Antitrust Suits Against Selected Oligopoly Industries" (June 11, 1971), reprinted in (pts. 1-2), 7 ANTITRUST L. & ECON. REV., No. 4, at 26 (1975), 8 ANTITRUST L. & ECON. REV., No. 1, at 35 (1976). Borden has been acknowledged as a "test case" brought in connection with the "Cereal Case." *Trademarks: ReaLemon Showdown Begins*, 6 PRODUCT MARKETING, Feb. 1977, at 6, 8.

16.

We would emphasize again . . . that the central thrust of any proceeding here would be oriented primarily toward the structure/performance characteristics of the industry in question and that the role of the relevant conduct . . . is a secondary one. . . . [T]he "conduct" pattern we expect to find in the industry is not the gravamen of the case. . . . [I]t does not necessarily bear a great deal of relation to the kind of relief that we might ultimately want to ask for.

Memorandum from Rufus E. Wilson, *supra* note 15, reprinted in 4 ANTITRUST L. & ECON. REV., No. 4, at 73-74 (1971). See also Lublin, *Stephanie Kanwit: Chicago Firebrand for the FTC*, JURIS DOCTOR, May 1977, at 28; Lunsford, *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 TRADEMARK REP. 75, 84-85 (1974).

17. Comment, *Abuse of Trademarks: A Proposal for Compulsory Licensing*, 7 U. MICH. J.L. REF. 644, 650 (1973).

generic name of a product cannot be used as a trademark for that product. The Supreme Court recognized this principle in *Good-year Co. v. Goodyear Rubber Co.*,¹⁸ where it held that the term "Goodyear Rubber" was not subject to exclusive appropriation and could not be protected as a trademark.¹⁹ Eight years later the Court reached a similar result in the landmark case of *Singer Manufacturing Co. v. June Manufacturing Co.*,²⁰ where it refused to enjoin defendant's use of "Singer" and "Improved Singer" on sewing machines after finding that "[t]he word 'Singer' was adopted by I. M. Singer & Co., or the Singer Manufacturing Company, in their dealings with the general public, as designative of their distinctive style of machines rather than as solely indicating the origin of manufacture."²¹

The principle of these and other cases²² is that a term used by the public to describe a product is incapable of designating a particular manufacturer or merchant as the source of that product. Consequently, such a term must be freely available for use by all manufacturers or merchants who wish to describe their goods. The Trademark Act of 1946 (Lanham Act)²³ recognizes this principle by providing that a merely descriptive term may not be registered as a trademark,²⁴ and by permitting any person to file a petition to cancel the registration of a trademark that has become "the common descriptive name of an article or substance."²⁵ Indeed, the statute empowers the FTC to file such a petition.²⁶

Although declaring a trademark to be a generic term and compelling its licensing for a violation of antitrust law both involve invalidation of a trademark, the similarity ends there. Declaring a trademark to be a generic term reflects the fact that the public uses the term not to identify the source of a product, but to de-

18. 128 U.S. 598 (1888). In reaching its decision the Court relied on dictum in *Canal Co. v. Clark*, 80 U.S. 311, 382 (1871).

19. 128 U.S. at 602.

20. 163 U.S. 169 (1896).

21. *Id.* at 181. The term "Singer" was subsequently rehabilitated through long and continuous exclusive use and is today recognized as one of the best known trademarks.

22. *E.g.*, *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116 (1938); *Dresser Indus., Inc. v. Heracus Engelhard Vacuum, Inc.*, 395 F.2d 457, 462 (3d Cir. 1968); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963); *Telechron, Inc. v. Telicon Corp.*, 198 F.2d 903, 907 (3d Cir. 1952); *DuPont Cellophane Co. v. Waxed Prod. Co.*, 85 F.2d 75, 82 (2d Cir. 1936).

23. 15 U.S.C. §§ 1051-1127 (1970).

24. 15 U.S.C. § 1052(e) (1970).

25. 15 U.S.C. § 1064(c) (1970). *See generally id.* §§ 1064(a), (b), (d), (e) (1970).

26. 15 U.S.C. § 1064 (1970).

scribe the product. The evidence requires the result. The result, moreover, promotes trademark interests by weeding out, so to speak, terms that do not identify source and concurrently promotes antitrust interests by preventing one business from appropriating a common property. In comparison, compulsory licensing as a remedy for an antitrust violation, does not reflect any finding concerning the public's use of a term. Rather, the remedy is predicated on a finding that the trademark has been used to violate antitrust law. This finding does not require the invalidation of the trademark that necessarily results. Furthermore, the result adequately promotes neither trademark nor antitrust interests.²⁷

The case can occur in which a trademark that has been used to violate antitrust law is also a generic term, but the occurrence is quite coincidental. For the most part, where a trademark has been used to violate antitrust law, it is a well-known term that exerts power in a market precisely because it identifies a single source to the consumer. Such a trademark is not a generic term which the public uses to describe a product produced by many manufacturers or sold by many merchants.

Even where it can be shown that a trademark that is used to violate antitrust law is a generic term, a declaration of genericness rather than compulsory licensing is the appropriate remedy. Declaring a trademark to be a generic term reveals an understanding of trademark law as well as an intention to promote antitrust interests. Compulsory licensing, on the other hand, focusing exclusively on antitrust interests and ignoring the rational basis of trademark law, is a myopic attempt to deal with a specific problem—how to restore competition in a market dominated by a product sold under a trademark.

No doubt the temptation to equate compulsory licensing with a finding of genericness in large part stems from misuse of the term "monopoly."²⁸ Permitting a manufacturer or merchant to use a generic term as a trademark indeed confers a monopoly in the use of that term—it becomes practically impossible for rival merchants and manufacturers to describe their goods without infringing a trademark and risking litigation, and for the public

27. See text accompanying notes 141-43 *infra*.

28. See text accompanying notes 111-14 *infra*. The opinion in *Borden* reflects this confusion, stating in a section on "Monopoly Power" that "'ReaLemon' is virtually synonymous with bottled lemon juice." Slip op. at 151.

to purchase a product from any source other than the trademark owner.

A finding that a generic term has been used as a trademark implies the existence of antitrust monopoly power and therefore justifies invalidation; such a trademark is of no value to the public. The converse does not hold true, however. A finding of antitrust monopoly power in a market dominated by a product sold under a trademark does not necessarily imply genericness, and, consequently, does not justify invalidation; the trademark, though misused, is in all likelihood valid.

The great danger in ordering compulsory licensing of a trademark for a violation of antitrust law is that the step may be taken without any consideration of its impact on trademark interests.²⁹ If a term acquires such extraordinary power that it is unlawful to permit its exclusive appropriation, a declaration of genericness is entirely appropriate, and will promote both antitrust and trademark interests. If, on the other hand, a trademark is used to violate the antitrust laws, but is not a generic term, it is totally inappropriate to declare it generic *sub silentio* by means of compulsory licensing.

B. *Compulsory Licensing of a Patent*

Compulsory licensing of a patent, adopted as a remedy for a violation of antitrust law, may be considered as precedent for the adoption of a similar remedy in a trademark case.³⁰ Critical examination of the respective natures of patents and trademarks, however, and of the cases ordering compulsory licensing of the former, indicates that the remedy cannot be transferred from the patent to the trademark field.

A patent and a trademark are dissimilar in several respects. Different bodies of law underlie their existence and regulation.³¹ Whereas a patent is a legally sanctioned monopoly in a process

29. The 170 page initial decision in *Borden* does not cite a single trademark case nor does it refer to the Lanham Act. See slip op. at 136-61 (discussion of legal and factual issues).

30. The decision in *Borden* reaches this conclusion. *Id.* at 164-65.

31. See *TradeMark Cases*, 100 U.S. 82, 92 (1879). A trademark is a creature of the common law, wholly dependent for its existence on actual use, and may be regulated by the federal government under the commerce clause. U.S. CONST. art. 1, § 8, cl. 3. By contrast, the creation and federal regulation of a patent are supported by U.S. CONST. art. 1, § 8, cl. 8, which authorizes the creation of limited monopolies in copyrights and patents.

or product, a trademark represents nothing more than the right to use a term in a particular capacity.³² In addition, a patent demands novelty and invention and promotes the public disclosure of ideas. A trademark, on the other hand, requires neither novelty nor invention, and it protects the public from confusion.³³ These are not merely trivial or theoretical differences.³⁴

The statute that confers patent rights also imposes limitations on their enjoyment.³⁵ No statute creates trademark rights; they arise solely from use. Limitations imposed upon that use must be devised rationally, as statutory limitations on patent rights have been. Furthermore, trademark owners should be apprised of the consequences of their actions just as patent owners have been given notice of the conditions imposed upon patent use.

The economic power embodied in a patent monopoly far exceeds the power incident to the right to use a term as a trademark.³⁶ Similarly, the requirement that a patent involve novelty and invention suggests that the subject matter of a patent is likely to be of greater economic importance than a trademark, which is a mere word or symbol.

Finally, the purpose of a patent—to facilitate the disclosure of new ideas—is not completely frustrated by a general grant of the right to exploit the idea, once it is disclosed. In contrast, the primary purpose of a trademark—the avoidance of public confusion—is impaired irreparably by a similar grant of the right to its use.

Nevertheless, one need not accept the distinctions between a patent and a trademark in order to be persuaded that the cases ordering compulsory licensing of a patent do not support compulsory licensing of a trademark. The cases that have dealt with compulsory patent licensing recognize the appropriateness of the remedy only where the patent itself is invalid.³⁷ To impose a similar

32. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-98 (1918); *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. 1309, 1314 (S.D.N.Y. 1969), *aff'd*, 433 F.2d 686 (2d Cir. 1970); *United States v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 316 (N.D. Ohio 1949), *modified on other grounds*, 341 U.S. 593 (1950). See also 1 H. NIMS, *supra* note 1, § 188, at 521; 3 R. CALLMANN, *supra* note 10, §§ 66.1-3, at 20-47.

33. 1 J. MCCARTHY, *supra* note 11, § 6:3, at 127-28.

34. See Comment, *Use of a Trade-Mark in Violation of the Anti-Trust Laws*, 32 N.Y.U.L. REV. 1002, 1008-09 (1957).

35. See 35 U.S.C. § 261 (1970).

36. *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. at 1314.

37. *Hartford-Empire Co. v. United States*, 323 U.S. 386, 414-15 (1945); *American Cyanamid Co. v. FTC*, 363 F.2d 757, 770 (6th Cir. 1966).

limitation upon compulsory trademark licensing would render the remedy unnecessary.³⁸

C. Section 14 of the Lanham Act

Section 14 of the Lanham Act,³⁹ which empowers the FTC to petition for cancellation of trademark registrations,⁴⁰ may be read to approve compulsory licensing.⁴¹ Two problems, however, arise from such a reading.

First, the statute does not expressly authorize cancellation of a registration for a violation of antitrust law.⁴² Second, even assuming the language of the statute may be interpreted to permit cancellation for such an abuse,⁴³ there are basic differences between cancelling a registration and invalidating a trademark.

Whereas the importance of a valid trademark registration should not be underestimated,⁴⁴ a fundamental distinction must be drawn between a registration and a trademark. The Lanham Act makes it clear that trademark ownership, derived from use, is a prerequisite to registration,⁴⁵ and the courts have consistently recognized a basic difference between registration and the right to use a trademark.⁴⁶ Cancelling a registration repeals certain

38. Resolving the question of validity in the negative would bring about the same result as compulsory licensing. See text accompanying notes 17-29 *supra* (invalidation of a trademark because of genericness). Finding a trademark valid would preclude adoption of the remedy based solely on the authority of patent cases.

39. 15 U.S.C. § 1064 (1970).

40. See, e.g., *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665 (3d Cir. 1961).

41. Cancellation renders a registration invalid, while compulsory licensing has the same effect upon a trademark. Both remedies reduce the scope of a trademark owner's rights in a trademark.

42.

A verified petition to cancel a registration of a mark . . . may . . . be filed . . . at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsections (a), (b), or (c) of section 2 of this Act for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used.

15 U.S.C. § 1064 (c) (1970).

Sections 2(a)-(c) of the Lanham Act deal with the use of immoral, deceptive or scandalous matter, or certain names and insignia, as trademarks. 15 U.S.C. § 1052(a)-(c) (1970).

43. Cf. *Phi Delta Theta Frat. v. J.A. Buchroeder & Co.*, 251 F. Supp. 968, 974 (W.D. Mo. 1966) (fraternity insignia, registered as trademarks, integral to an antitrust scheme).

44. See 1 J. MCCARTHY, *supra* note 11, §§ 19:4-15, at 658-61.

45. 15 U.S.C. § 1051 (1970).

46. *Mine Safety Appliances Co. v. Electric Storage Battery Co.*, 405 F.2d 901, 904 (3d Cir. 1969); *In re Deister Concentrator Co.*, 289 F.2d 496, 501 (3d Cir. 1961).

procedural,⁴⁷ evidentiary,⁴⁸ and even substantive⁴⁹ advantages conferred upon a registrant, but cancellation cannot be equated with invalidation of a trademark, which amounts to confiscation of a valuable property right.⁵⁰

D. *Enjoining Use of a Trademark*

The FTC has enjoined the use of trademarks in a number of cases. Such injunctions go beyond cancellation of registrations as they directly affect trademark ownership. Nevertheless, the cases do not go so far as to support the remedy of compulsory trademark licensing for antitrust violations.

It has consistently been held that the use of a trademark may not be prohibited if a remedy less drastic than an injunction will accomplish the same result.⁵¹ As a practical matter, this principle severely limits the instances in which compulsory licensing will be an appropriate remedy for a violation of antitrust law. Furthermore, injunctions have been issued only where a trademark was found to be inherently defective and incapable of exclusive appropriation because it deceived the public by misrepresenting the nature or quality,⁵² geographic origin,⁵³ official sanction,⁵⁴ or asso-

47. See 15 U.S.C. §§ 1117, 1121 (1970); 28 U.S.C. § 1338 (1970).

48. See 15 U.S.C. §§ 1115 (a), 1157 (b) (1970). See also *Pic Design Corp. v. Bearings Specialty Co.*, 436 F.2d 804, 807 (1st Cir. 1971); *Aluminum Fabricating Co. v. Season-All Window Corp.*, 259 F.2d 314, 316 (2d Cir. 1958); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1956); *Rolley v. Younghusband*, 204 F.2d 209, 211 (9th Cir. 1953).

49. 15 U.S.C. §§ 1065, 1072, 1115 (b), 1124 (1970).

50. One commentator has suggested that the ineffectiveness of cancellation of registration accounts for the FTC's infrequent resort to section 14. Stockell, *Federal Trade Commission and Trademarks*, 54 TRADEMARK REP. 500, 502-03 (1964).

51. See, e.g., *Jacob Siegel Co. v. FTC*, 327 U.S. 608, 612 (1946); *Elliot Knitwear, Inc. v. FTC*, 266 F.2d 787, 790-91 (2d Cir. 1959); *Allen B. Wrisley Co. v. FTC*, 113 F.2d 437, 442 (7th Cir. 1940); *Century Metalcraft Corp. v. FTC*, 112 F.2d 443, 446 (7th Cir. 1940); *FTC v. Good-Grape Co.*, 45 F.2d 70, 72 (6th Cir. 1930); *N. Fluegelman & Co. v. FTC*, 37 F.2d 59, 61 (2d Cir. 1930); *Masland Duralcather Co. v. FTC*, 34 F.2d 733, 738 (3d Cir. 1929).

52. *Bakers Franchise Corp. v. FTC*, 302 F.2d 258 (3d Cir. 1962); *Carter Prod., Inc. v. FTC*, 268 F.2d 461 (9th Cir.), cert. denied, 361 U.S. 884 (1959); *Elliot Knitwear, Inc. v. FTC*, 266 F.2d 787 (2d Cir. 1959); *Jacob Siegel Co. v. FTC*, 150 F.2d 751, 754 (3d Cir. 1944), rev'd, 327 U.S. 608 (1946); *Charles of the Ritz Distrib. Corp. v. FTC*, 143 F.2d 676, 678 (2d Cir. 1944); *Irwin v. FTC*, 143 F.2d 316, 318 (8th Cir. 1944).

53. *Howe v. FTC*, 148 F.2d 561 (9th Cir.), cert. denied, 326 U.S. 741 (1945); *El Moro Cigar Co. v. FTC*, 107 F.2d 429, 431 (4th Cir. 1939); *H.N. Heusner & Son v. FTC*, 106 F.2d 596, 597 (3d Cir. 1939).

54. *Waltham Watch Co. v. FTC*, 318 F.2d 28 (7th Cir.), cert. denied, 375 U.S. 944 (1963); *C. Howard Hunt Pen Co. v. FTC*, 197 F.2d 273 (3d Cir. 1952); *Lighthouse Rug Co. v. FTC*, 35 F.2d 163, 164 (7th Cir. 1929).

ciation with a source of goods.⁵⁵ None of the cases involved allegations that a trademark had been used to violate antitrust or any other law.

The difference is crucial. Invalidation of an inherently defective trademark works no undue hardship and, indeed, safeguards the public from deception; invalidation of an otherwise valid, albeit misused, trademark, however, requires a finding that the interests promoted by invalidation outweigh trademark interests.

Finally, an injunction operates in a fundamentally different fashion from compulsory licensing. When use of a trademark is banned, the prohibition is comprehensive. No one may make use of an inherently defective trademark, and such a trademark will not appear in the marketplace, at least not in connection with a particular class of goods. Compulsory licensing, on the other hand, expands use of a trademark in the marketplace by making it freely available to all makers or sellers of a product.

E. *Trademarks and Advertising*

A trademark is the principal device used in advertising a product. A great deal of the dissatisfaction with and opposition to trademarks arises, therefore, from a belief that advertising is inimical to the public interest.⁵⁶ It has been asserted that advertising affects the public adversely by inordinately influencing consumer demand, that the creation of such demand restrains competition, and that competition may be restored by reducing the effectiveness of trademarks or by actually invalidating them.⁵⁷ From this perspective, compulsory licensing may be viewed as an appropriate remedy for an antitrust violation.

Attempts to justify compulsory trademark licensing in terms of the effect of advertising on consumer choice raise serious analytical difficulties. First, a distinction must be drawn between a trademark and its use in advertising. Second, a distinction must be drawn between legitimate advertising and advertising that

55. *Niresk Indus., Inc. v. FTC*, 278 F.2d 337 (7th Cir.), *cert. denied*, 364 U.S. 883 (1960); *Galter v. FTC*, 186 F.2d 810, 813 (7th Cir.), *cert. denied*, 342 U.S. 818 (1951); *FTC v. Real Prod. Corp.*, 90 F.2d 617 (2d Cir. 1937).

56. See Greenbaum, *Trademarks Attacked*, 58 TRADEMARK REP. 443, 444 (1968); Joyce, *Challenge to the Trademark System*, 58 TRADEMARK REP. 453, 454 (1968); Comment, *supra* note 17, at 648-50.

57. See Comment, *supra* note 17, at 661-66.

prejudices public opinion. Third, the promotion of irrational consumer choice must be conceptually distinguished from consumer preferences which result in monopoly power. Finally, the differences between an organized response to the abuse of advertising and compulsory licensing of trademarks must be recognized.

From such an analysis⁵⁸ it becomes apparent that much of the dissatisfaction with trademarks is in reality a reaction to their use to create irrational consumer demand through advertising; that use of a trademark to create irrational consumer demand through advertising rarely amounts to misuse sufficient to create monopoly power; that compulsory licensing is not a reasonable response to the creation of irrational consumer demand through advertising not amounting to misuse of a trademark sufficient to create monopoly power; and, that the appropriateness of compulsory licensing of a trademark as a remedy for a violation of antitrust law can be evaluated only by considering the case in which a trademark is actually used to violate antitrust law.

F. *Summary*

It has been shown that each of the five suggested justifications for compulsory trademark licensing for antitrust violations creates serious conceptual problems. Even if one or more of the preceding rationales is arguably acceptable, however, the remedy of compulsory licensing should not be imposed without full consideration of the effects of that remedy upon important trademark interests.

II. COMPULSORY LICENSING AND TRADEMARK INTERESTS

A trademark is used to promote four important interests. This section examines the impact of compulsory licensing on each of these.

A. *A Trademark is Used to Indicate the Source or Origin of Goods*

The primary purpose of a trademark, and the earliest recog-

58. See text accompanying notes 74-77 & 99-100 *infra*.

nized at law,⁵⁹ is to identify goods or services as those of a particular manufacturer or merchant and to distinguish them from the goods or services of others.⁶⁰ The United States Supreme Court recognized this principle a century ago.⁶¹ Today the Lanham Act⁶² defines a trademark as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."⁶³

As an indicator or source, a trademark serves both private (commercial) and public (consumer) interests. A business that employs a term as a trademark acquires an exclusive right to use that term as a badge of identification⁶⁴ and may prevent others from using terms likely to be confused with it.⁶⁵ Upon the strength of this right, an entrepreneur may safely enter the marketplace and meet existing competition, while an established firm may continue⁶⁶ to operate and profit from the goodwill that is associated

59. See *Thomas v. Winchester*, 36 Mass. (19 Pick.) 214 (1837); 1 H. NIMS, *supra* note 1, §§ 16-26, at 83-137, § 186, at 514-16. For discussion of the history of trademarks, see generally 1-2 J. MCCARTHY, *supra* note 11; Behrendt, *Trademarks and Monopolies—Historical and Conceptual Foundations*, 51 TRADEMARK REP. 853 (1961); Beyerling, *Trademarks—Their Origin and Development*, 32 TRADEMARK BULL. (n.s.) 256 (1937); Daniels, *Words Worth Millions—Their Origin and Ancestry*, 23 TRADEMARK BULL. (n.s.) 183 (1928); Daniels, *The History of the Trade-Mark*, 7 TRADEMARK BULL. (n.s.) 239 (1911); Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265 (1975); Greenberg, *The Ancient Lineage of Trade-Marks*, 33 J. PAT. OFF. SOC'Y 876 (1951); Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 531 (1969); Ruston, *On the Origin of Trademarks*, 45 TRADEMARK REP. 127 (1953); Treece, *Development in The Law of Trademarks and Services*, 58 CALIF. L. REV. 885 (1970).

60. A trademark need not identify a manufacturer or merchant by name, but may indicate merely that an anonymous establishment is a source of goods or services. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 155 (9th Cir. 1963).

61. In *McLean v. Fleming*, 96 U.S. 245, 248 (1877), the owner of the trademark "Dr. McLane's Liver Pills" sought an injunction and damages for the use of the allegedly confusing similar term "Dr. C. McLane's Celebrated Liver Pills." The Court awarded only equitable relief, owing to plaintiff's delay in bringing suit, but Mr. Justice Clifford set out the common law rule:

[A] trade-mark may consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from those manufactured or sold by another

Id. at 254.

62. 15 U.S.C. §§ 1051-1127 (1970).

63. 15 U.S.C. § 1127 (1970).

64. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916); 1 H. NIMS, *supra* note 1, § 187, at 516. The right is limited to use of a term as a trademark and does not bar another's use of a term in a descriptive manner. 15 U.S.C. § 1115(b)(4) (1970).

65. The test for trademark infringement is likelihood of confusion. *McLean v. Fleming*, 96 U.S. at 251; 15 U.S.C. § 1114(1)(b) (1970).

66. Trademark rights endure as long as a trademark is lawfully used. Federal registrations may be renewed every twenty years for as long as a trademark is so used. 15 U.S.C.

with its ingenuity and investment and symbolized by its trademark.⁶⁷

Every consumer relies upon trademarks to distinguish the goods of one business from those of another.⁶⁸ The law recognizes and protects consumers by proscribing the use of trademarks that are likely to confuse the public as to the source of goods.⁶⁹ Indeed, the primary purpose of the law of trademarks and unfair competition⁷⁰ is to prevent public confusion,⁷¹ and a business' trademark rights are conceived of in terms of this public interest.⁷² Compulsory licensing, however, can only impair the ability of a trademark to serve this purpose. In the hands of more than one business, a trademark cannot identify the source of a product, and thus is certain to confuse consumers.

The law recognizes that a consumer's right to be safeguarded from confusion goes beyond the right not to be injured economically, as by the sale of inferior merchandise under a trademark too nearly resembling that of a reputable firm. A consumer has a right not to be misled as to the origin of goods. As the Supreme Court has acknowledged,

If consumers or dealers prefer to purchase a given article because it was made by a particular manufacturer or class of manufacturers, they have a right to do so, and this right cannot be satisfied

§ 1059 (1970). The use of certain trademarks, such as "C & C" for soft drinks, for over a century attests to the enduring nature of the right.

67. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916). A business that owns a trademark recognizes its value and lists it as an asset. "*Coca-Cola*," one of the three best known trademarks according to the court in *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1187 n.1 (E.D.N.Y. 1972), was valued at \$100,000,000 as early as 1932. For discussions of the valuation of trademarks generally, see *Vancil v. Anderson*, 227 P.2d 74 (Idaho 1951); *Levene v. City of Salem*, 229 P.2d 255 (Ore. 1951); *Clark v. Lucas County Bd. of Review*, 44 N.W.2d 748 (Iowa 1950); *Davies, The Valuation of Good Will as Affected by Personal Abilities, Attributes, Skill, Acquaintanceships, and Other Personal Characteristics of Individuals*, 31 NEB. L. REV. 559 (1942); *Lyons, Valuation of Good Will and Covenant Not to Compete: How To Distinguish Between Them*, 16 J. TAX 228 (1962); *Soper, Certain Accounting and Tax Aspects of Patents, Trade-Marks and Copyrights*, 35 J. PAT. OFF. SOC'Y 296 (1953); Note, *Valuation of Good Will for Tax Purposes*, 48 VA. L. REV. 1274 (1962).

68. The benefits of this freedom of choice to both the consumer and the economy are discussed in sections II-B and II-C of this article. See text accompanying notes 82-83 & 91-92 *infra*.

69. See note 65 *supra*.

70. Trademark law is part of the broader law of unfair competition. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. at 413; S. REP. NO. 1333, 79th Cong., 2nd Sess., *reprinted in* [1946] U.S. CODE CONG. & AD. NEWS 1274, 1275.

71. *American Foundries v. Robertson*, 269 U.S. 372, 380 (1925).

72. *Vitascope Co. v. U.S. Phonograph Co.*, 83 F. 30 (C.C.D.N.J. 1897).

by imposing upon them an exactly similar article, or one as equally good, but having a different origin.⁷³

Many critics question the importance of this right, however, and suggest that where goods are the same or substantially the same, the use of a trademark to insure brand preference creates an artificial distinction among goods in the mind of a consumer.⁷⁴ A consumer with an irrational preference for a brand of goods is said to buy out of habit and to ignore the merits of a competing offer. Thus, his interests are said to be adversely affected by the use of a trademark. Nevertheless, public injury in the form of irrational consumer choice is a limited harm, and does not justify in any way compulsory licensing of a trademark,⁷⁵ which destroys the trademark's value as an indicator of source.

A consumer's right to select from the goods of different manufacturers or merchants is a basic freedom of choice not to be taken lightly. Serious doubts surround any suggestion that the public ought to be protected from itself by eliminating opportunity for choice. Certainly, some compelling interest must be advanced before freedom of choice may be abrogated, and that interest must be at least equal to the right to prefer one manufacturer or merchant to another. It seems doubtful that preventing some irrational decision-making alone qualifies as a compelling interest.⁷⁶

More important, a consumer's selection of goods by means of trademarks serves several useful and necessary purposes in a competitive economic system.⁷⁷ The selective process should not be disturbed without providing a substitute. If buying by brand is to be curtailed or abandoned, some form of government regulation of the production and sale of goods must be adopted in its

73. *FTC v. Royal Milling Co.*, 288 U.S. 212, 216 (1933), *quoted in* *FTC v. Colgate-Palmolive Co.*, 380 U.S. 374, 388 (1965). *See also* *FTC v. Algoma Lumber Co.*, 291 U.S. 67, 78 (1934).

74. *See* 3 R. CALLMANN, *supra* note 10, § 65.3, at 12-14. *Borden*, involving processed lemon juice, is a case in point. *See* slip op. at 60-65. Conceivably, a consumer could purchase goods inferior to competing goods solely on account of brand preference.

75. *See* Lebow, *Is The Trade-Mark Declining as a Marketing Tool?*, 40 TRADEMARK REP. 770 (1950).

76. Discussions of the relationship between irrational consumer choice and excessive goodwill amounting to monopoly power tend to blur any distinction between the two concepts. *See, e.g.*, 1 R. CALLMANN, *supra* note 10, § 2.2, at 36. Irrational consumer choice, as used here, means a brand preference that is not rationally related to the merits of the brand. Excessive goodwill amounting to monopoly power may be entirely unrelated to consumer irrationality.

77. *See* text accompanying notes 82-83 & 91-92 *infra*.

stead. Compulsory licensing, occasioned by unpredictable violations of antitrust law, bears no relation to a comprehensive system of government regulation, carefully considered and legislated by Congress. On the contrary, an occasional court order to license a trademark posits a system in which one trademark identifies source while another does not.

In such a system a consumer could not distinguish between a valid and an invalidated trademark. Either he would be unable to rely on any trademarks, which would leave him without adequate means of selection, or he would have to assume the risk of relying on a term that does not indicate the source he would otherwise anticipate. Avoiding this dilemma justifies the injury occasioned by irrational consumer choice.

B. *A Trademark Is Used as A Vehicle for Quality*

A relationship exists between a trademark and the quality of the goods it identifies. In order to understand the nature of this relationship and the effect compulsory licensing has on it, one must consider at the outset what a trademark is not. Despite occasional language to the contrary,⁷⁸ a trademark is not a guarantor of the quality of the goods it identifies.

It was long held that a trademark could not be licensed without transferring title to a business on the grounds that to do so would separate the symbol from the activity that gave it value.⁷⁹ This limitation was vitiated when it was recognized that licensing a trademark together with the goodwill it symbolizes preserves the integrity of the symbol. A link between a trademark and the quality of goods was forged from this change in the law and, specifically, from the need to reconcile the identification function of a trademark with the modern practice of licensing a trademark to more than one entity, particularly in a franchising operation.⁸⁰

78. See, e.g., *Coca-Cola Co. v. State*, 225 S.W. 791, 794 (Tex. Civ. App. 1920).

79. *Bulte v. Igleheart Bros.*, 137 F. 492, 498-99 (7th Cir. 1905); *MacMahan Pharmaceutical Co. v. Denver Chem. Mfg. Co.*, 113 F. 468, 474-75 (8th Cir. 1901); 1 H. NIMS, *supra* note 1, § 22, at 130-31.

80. See *Siegel v. Chicken Delight*, 448 F.2d 43, 51 (9th Cir. 1971), *cert. denied*, 405 U.S. 955 (1972); *Turner v. HMH Publishing Co.*, 380 F.2d 224, 229 (5th Cir.), *cert. denied*, 389 U.S. 1006 (1967); *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366-69 (2d Cir. 1959); Grismore, *The Assignment of Trade Marks and Trade Names*, 30 MICH. L. REV. 489, 498 (1932); Isaacs, *Traffic in Trade Symbols*, 44 HARV. L. REV. 1210, 1218-19 (1931); Treece, *Trademark Licensing and Vertical Restraints in Franchise Arrangements*,

Licensing a trademark is justified within the traditional framework of trademark law by requiring a licensee to conform in the production and sale of goods to standards of quality established and enforced by the licensor. Although in reality it may be used by several producers or merchants, the trademark identifies a single source in that all goods are made and sold in compliance with a single set of standards enforced by a licensor.

The role a trademark plays in assuring quality is incidental to the accommodation of traditional trademark concepts and modern business practice, and it is misleading to consider the relationship between a trademark and the quality of goods apart from this accommodation. In fact, a trademark cannot guarantee that the goods of a licensee will meet a standard of quality. Only the careful selection and continued supervision of a licensee by a licensor insures that the former will perform in accordance with standards.⁸¹ And clearly, outside the framework of a licensing situation, a trademark does little if anything to insure that the goods of a single manufacturer or merchant meet even minimal standards of quality or are of uniform grade or kind.

What a trademark can and does do is provide a business, whether a single enterprise or a group of licensed users of a trademark, with an incentive for the adoption, maintenance and improvement of quality standards by enabling the consumer to identify goods as coming from a single source⁸² and permitting him to accept or reject those goods on the basis of how well they suit his needs.⁸³ Thus understood, a trademark may aptly be termed a vehicle for quality, but it is misleading to think of it as a guarantor of quality.

As a vehicle for quality, a trademark loses its value when it is licensed involuntarily, whether or not quality standards are incorporated in a compulsory license. If compulsory licensing is carried out and quality standards are not adopted and enforced,

116 U. PA. L. REV. 435, 445 (1968). See also Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 823 (1927); Shuman, *The Future of Franchising and Trade Regulation*, 14 HOW. L.J. 60, 62 (1968).

81. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d at 367; *Huber Baking Co. v. Strohmann Bros. Co.*, 110 U.S. Pat. Q. 349, 352 (S.D.N.Y. 1956), *rev'd on other grounds*, 252 F.2d 945 (2d Cir. 1958); see 15 U.S.C. §§ 1055, 1127 (1970).

82. A "single" source may include a "single group" of licensees, all of whom, in order to maintain their status, comply with production and marketing standards prescribed and enforced by a single licensor.

83. See generally *Developments in the Law—Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 885, 896 n.588 (1955).

even minimal standards cannot be anticipated. Even if compulsory licensing is carried out in accordance with quality standards incorporated in a license,⁸⁴ two factors militate against any likelihood of continued quality.

First, it is doubtful that even minimal standards set out in a compulsory license can be adequately maintained. A licensor, who can neither select a licensee nor justifiably terminate a relationship with it, cannot enforce standards of quality, even assuming that there will be any incentive to do so. A compulsory license therefore requires an independent party charged with administration,⁸⁵ but such a party is likely to lack both the knowledge and the resources to perform this task effectively. It is well known that "quality control in cases of multiple non-exclusive licensing places . . . a heavy burden on the organizational handling of the license,"⁸⁶ and it is unrealistic to believe that this burden can be borne by an independent party.

Secondly, and more fundamentally, because quality standards set out in a compulsory license are fixed, they are not subject to the progressive change that a trademark naturally insures. Under a compulsory license, potentially all producers of a product manufacture under a common title. No single producer has any incentive to improve the quality of its product when such improvement is as likely to be ascribed to a competitor as to itself. On the other hand, any single producer who manufactures an inferior product injures the reputation of all who make the same product under a common designation. Thus, a trademark, as a vehicle of quality, is utterly worthless when licensed mandatorily.

It is no answer to the defects inherent in compulsory licensing that the law readily permits voluntary licensing of a trademark. A clear distinction between the two must be drawn. In the case

84. The order in *Borden* provides that "licenses may contain provisions . . . providing for reasonable quality control standards for the production of reconstituted lemon juice by licensees, equal to the quality of respondent Borden's ReaLemon reconstituted lemon juice." Slip op. at 167-68, 3 TRADE REG. REP. ¶ 21,194, at 21,108.

85. The order in *Borden* provides that "quality control standards shall be administered by an independent third party." *Id.* at 168, reprinted in 3 TRADE REG. REP. ¶ 21,194, at 21,109.

86. Behrendt, *Trademarks and Monopolies—Historical and Conceptual Foundations*, 51 TRADEMARK REP. 853, 863 (1961). See also Hoffmann, *Problems Encountered in Permitting Use of a Trade Name by Subsidiaries, Licensees and Distributors*, 62 TRADEMARK REP. 28 (1972); Comment, *Trademark Licensing: The Problem of Adequate Control*, 59 TRADEMARK REP. 820 (1969).

of a voluntary license, the licensor and licensee may properly be thought of as constituting an economic community of interest. Use of a trademark by a related company inures to the benefit of the trademark proprietor.⁸⁷ Quality standards adopted and effectively implemented by a voluntary licensor safeguard the public.⁸⁸ Often, advertising is jointly adopted by members of the community of interest; such promotion benefits each of them.⁸⁹ Finally, the business as a whole operating under a common trademark competes in the marketplace with other businesses.⁹⁰ None of these factors is present in a situation where one business is compelled to yield its trademark to competitors.

C. *A Trademark Is Used to Promote Competition*

A trademark promotes competition by enabling a consumer to select from the goods of competing manufacturers or merchants.⁹¹ A business that satisfies consumer demand is rewarded by continued patronage. The ability of a business to attract and satisfy the buying public is a measure of its capacity to compete in the marketplace and may be defined as its goodwill. Goodwill, in turn, "requires visible symbols to keep it alive, e.g., trademarks."⁹²

87. 15 U.S.C. §§ 1055, 1127 (1970).

88. See *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 49 (9th Cir. 1971), cert. denied, 405 U.S. 955 (1972).

89. See *Kugler v. AAMCO Automatic Transmissions, Inc.*, 337 F. Supp. 872, 876 (D. Minn. 1971), aff'd, 460 F.2d 1214 (8th Cir. 1972).

90. See *Carpa, Inc. v. Ward Foods, Inc.*, 536 F.2d 39, 47 (5th Cir. 1976).

91. Congress acknowledged this principle in reporting that "[t]rademarks . . . are the essence of competition, because they make possible a choice between competing articles by enabling a buyer to distinguish one from the other." S. REP. NO. 1333, 79th Cong., 2d Sess., reprinted in [1946] U.S. CODE CONG. & AD. NEWS 1274, 1275. See *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968). See also *Humble Oil & Refining Co. v. American Oil Co.*, 405 F.2d 803, 820 (8th Cir.), cert. denied, 395 U.S. 905 (1969); *Standard Oil Co. v. Humble Oil & Refining Co.*, 363 F.2d 945, 954 (5th Cir. 1966); Brock, *Merchandising Value of Trademarks*, 42 TRADEMARK REP. 701, 702-03 (1952); Brown, *Advertising Requirements of Trademarks*, 44 TRADEMARK REP. 794, 796 (1954); Brown, *Advertising and the Public Interest; Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1185-86 (1948); Jackson, *Comments on the Safeguarding of the Trademark System*, 41 TRADEMARK REP. 512, 516 (1951); Lunsford, *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 TRADEMARK REP. 75, 95 (1974); Pattishal, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967, 970-71 (1952); Rogers, *The Lanham Act and the Social Functions of Trademarks*, 14 LAW & CONTEMP. PROB. 173, 174-75 (1949); Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818-19 (1927); Note, *Quality Control and the Antitrust Laws in Trademark Licensing*, 72 YALE L.J. 1171, 1174-75 (1963).

92. 1 R. CALLMANN, *supra* note 10, § 2.2, at 36.

As unfettered competition rarely is completely fair,⁹³ excessive goodwill may prove damaging in a system that depends on competition to determine market share. As a symbol of goodwill, a trademark can be used to acquire and maintain monopoly power. Where there exists little or no difference between a dominant brand of product and competing goods, it is tempting to conclude that goodwill, as symbolized by a trademark, functions prejudicially. However, "[w]here . . . monopoly has been obtained through other means, goodwill is of little or no importance."⁹⁴

Where a trademark is not misused, it promotes competition, and therefore furthers precisely the interest that antitrust law is intended to preserve. By preventing its exclusive appropriation and use as a symbol of goodwill in the marketplace, however, compulsory licensing destroys a trademark as a promoter of competition, and thus impairs both trademark and antitrust interests in those cases where trademarks have not been misused.

D. *A Trademark Is Used as a Focus of Advertising*

In addition to its other functions, a trademark facilitates advertising. The Court of Appeals for the Seventh Circuit made this point clearly in *Northam Warren Corp. v. Universal Cosmetic Co.*⁹⁵ where it observed:

A trade-mark is but a species of advertising, its purpose being to fix the identity of the article and the name of the producer in the minds of the people who see the advertisement, so that they may afterward use the knowledge themselves and carry it to others having like desires and needs for such article.⁹⁶

Millions of dollars are spent annually by businesses to promote products and to permit consumer choice among a panoply of competing goods.⁹⁷ Invariably, a trademark serves as the focus of

93. M. FRIEDMAN, *CAPITALISM AND FREEDOM* 15 (1962).

94. 1 R. CALLMANN, *supra* note 10, § 2.2, at 36.

95. 18 F.2d 774 (7th Cir. 1927).

96. *Id.* at 774. See also *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942); *Avrick v. Rockmont Envelope Co.*, 155 F.2d 568, 571-72 (10th Cir. 1946); *Potter-Wrightington, Inc. v. Ward Baking Co.*, 288 F. 597, 600-01 (D. Mass. 1923), *aff'd*, 298 F. 398 (1st Cir. 1924); RESTATEMENT (SECOND) OF TORTS § 715, Comment b, at 554-55 (1938); Brown, *Advertising Requirements of Trademarks*, 44 TRADEMARK REP. 794 (1954); Lebow, *supra* note 75, at 771.

97. See *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 151 (9th Cir. 1963).

advertising, insuring that expenditures inure to the benefit of the advertiser and not a competitor. Moreover, it has been recognized that a trademark promotes both private and public interests in advertising even when the goods it identifies are similar or identical to those of others.⁹⁸ In short, safeguarding the integrity of a trademark is synonymous with preserving its advertising value.

While recognizing the legitimate role a trademark plays in making advertising possible, some courts and commentators have criticized the way in which a trademark helps to promote the sale of goods. Mr. Justice Frankfurter observed that "[t]he creation of a market through an established symbol implies that people float on a psychological current engendered by the various advertising devices which give a trade-mark its potency."⁹⁹ Others have gone further and argued that the persuasive nature of advertising exerts an undue influence on the public and that, since a trademark facilitates such advertising, the trademark itself has an adverse impact on the public.¹⁰⁰

Counter arguments abound.¹⁰¹ While it may be too simple to say that the problem is "of more interest to the sociologist than to the lawyer,"¹⁰² support can certainly be found for the value of advertising.¹⁰³ Even where it contributes to irrational decision making by somewhat coloring consumer choice, a trademark is not so devoid of value that it may be invalidated.¹⁰⁴ Only when it is used to acquire excessive goodwill can the value of a trademark as a focus of advertising be doubted.¹⁰⁵

98. See *Great Atl. & Pac. Tea Co. v. Cream of Wheat Co.*, 224 F. 566, 568 (S.D.N.Y.), *aff'd*, 227 F. 46 (2d Cir. 1915).

99. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 208 (1942).

100. See *Smith v. Chanel, Inc.*, 402 F.2d at 567. See also J.K. GALBRAITH, *THE NEW INDUSTRIAL STATE* 200, 208 (1967); Deering, *Trademarks on Non-Competitive Products*, 36 ORE. L. REV. 1, 2 (1956).

101. See J. BACKMAN, *ADVERTISING AND COMPETITION* 38 (1967); 1 J. MCCARTHY, *supra* note 11, § 2:14(c), at 82-83; Brown, *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1181 (1948).

102. 1 J. MCCARTHY, *supra* note 11, § 3:15, at 96.

103. Mr. Justice Harlan, concurring in *FTC v. Procter & Gamble Co.*, 386 U.S. 568 (1967), stated, "Undeniably advertising may sometimes be used to create irrational brand preferences and mislead consumers as to the actual differences between products, but it is very difficult to discover at what point advertising ceases to be an aspect of healthy competition." *Id.* at 603 (Harlan, J., concurring).

104. See text accompanying notes 75-77 *supra*.

105. See text accompanying notes 93-94 *supra*.

E. *Summary*

Compulsory trademark licensing is intended to and succeeds in placing a trademark in the hands of more than one manufacturer or merchant. The result is that no business can use such a trademark to identify its product as emanating from a single source, or to distinguish it from the products of others. Furthermore, no business can invest in promoting its product under such a trademark; the public cannot exert pressure on business to maintain and increase standards of quality in a product identified by such a trademark; and competition, as furthered by a trademark, is curtailed.

The consequences of compulsory licensing are invalidation of a trademark and irreparable harm to trademark interests. From a trademark perspective, these consequences may appear most acceptable where a trademark symbolizes goodwill to such an extent that it interferes with competition or where it is used in advertising to acquire unlawful power in the marketplace. From an antitrust perspective, these consequences may appear not only most acceptable, but most necessary, where a trademark is so misused.

It is tempting to conclude that both trademark and antitrust law sanction invalidation of a trademark by means of compulsory licensing in a case where one product sold under a trademark enjoys a dominant market position. In fact, much greater attention must be paid to the interests sought to be preserved and promoted by both branches of the law.

III. BALANCING ANTITRUST AND TRADEMARK INTERESTS

A. *Antitrust and Trademark Law*

Whether compulsory licensing of a trademark is an appropriate remedy for a violation of antitrust law raises the question of whether the remedy's injurious impact on trademark interests is outweighed by some countervailing antitrust interest. In answering this question, it is essential to consider the relationship between antitrust and trademark law.

How to balance antitrust and trademark interests has proved a thorny problem. As one leading commentator has observed, "[t]here is a great deal of confusion over what, if any, relationship

exists between the antitrust laws and the laws against unfair competition."¹⁰⁶ Part of the confusion follows from a perceived conflict between the origins and purposes of two different branches of the law, while part stems from a basic misunderstanding of the nature of trademark law.

The underlying principle of antitrust law is the promotion of competition.¹⁰⁷ Trademark law, as part of the law of unfair competition, grows out of concerns with the nature of competitive conduct.¹⁰⁸ In simplest terms, antitrust law is intended to keep competition free while trademark law is designed to make it fair.¹⁰⁹

An apparent conflict between antitrust and trademark law arises if regulations designed to control unfair trade practices are viewed as restrictions on otherwise free competition. This is not the perspective from which antitrust law operates. On the contrary, antitrust law recognizes that entirely unregulated competition is not truly free and that unfair trade practices interfere with the operation of a competitive system. When the relationship between antitrust and trademark law is viewed in this light, it becomes apparent that "antitrust law and unfair competition law reflect the judicial system's method of both preserving and controlling competition. . . . [T]hey are complimentary and not inconsistent in any way."¹¹⁰

There is by no means complete agreement as to the harmony between antitrust and trademark law. A surprising number of critics maintain that a trademark is a monopoly and, as such, violative of antitrust law.¹¹¹ This view reflects a lack of understanding of trademark law and the meaning of the term monopoly as it is used in the trademark context. A leading commentator has explained the problem:

106. 1 J. MCCARTHY, *supra* note 11, § 1:14, at 29.

107. See 15 U.S.C. §§ 1-7, 12-27 (1970).

108. See generally 1 H. NIMS, *supra* note 1, §§ 1, 3, at 1-16, 27-29.

109. Handler, *Trade-Marks and Anti-Trust Laws*, 38 TRADEMARK REP. 387 (1948).

110. 1 J. MCCARTHY, *supra* note 11, § 1:14, at 30. See also Handler, *Sharing in Goodwill: A Tort or a Constitutional Privilege?*, 64 COLUM. L. REV. 1183, 1186 (1964).

111. See the opinions of Judge Jerome Frank in *Triangle Pub., Inc. v. Rohrlich*, 167 F.2d 969, 974-83 (2d Cir. 1948) (dissenting); *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 37-43 (2d Cir. 1945) (concurring); *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F.2d 955, 957-58 (2d Cir.), *cert. denied*, 320 U.S. 776 (1943). See also E. CHAMBERLAIN, *THE THEORY OF MONOPOLISTIC COMPETITION* (8th ed. 1962); Timberg, *Trade-marks, Monopoly and the Restraint of Competition*, 14 LAW & CONTEMP. PROB. 323, 324-27 (1949).

[T]he term "monopoly" is used in two quite different senses. One kind of "monopoly" is market power acquired by private agreement resulting in a restraint of trade. This kind of true economic monopoly is the subject of the antitrust laws. The other kind of "monopoly" is a legally-sanctioned exclusive right defined by government and the courts.¹¹²

The weight of authority favors the proposition that a trademark is not a monopoly as that term is used in antitrust law.¹¹³ It is incorrect and misleading to view antitrust and trademark law as incompatible or to permit semantics to overshadow the essentially complementary nature of these two branches of the law. As the Court of Appeals for the Fifth Circuit recently stated:

Neither the Supreme Court, nor this Circuit, has gone so far as to presume that the mere existence of a trademark in and of itself supplies economic power sufficient to constitute an antitrust violation. . . . [A] legally unique name alone cannot demand a presumption of economic power.¹¹⁴

B. *Use of a Trademark to Violate Antitrust Law*

Although a trademark ordinarily confers an entirely lawful "monopoly" (if that term must be used), and actually facilitates competition, it nevertheless may be used to violate antitrust law. The Lanham Act¹¹⁵ recognizes that a trademark may be misused and provides a defendant in a trademark infringement action with the defense "that the mark has been or is being used to violate the antitrust laws of the United States."¹¹⁶

Considerable debate surrounded this section in the Lanham

112. 1 J. MCCARTHY, *supra* note 11, § 1:6, at 36-37. See also 1 H. NIMS, *supra* note 1, § 190a, at 525-26.

113. S. REP. NO. 1333, 79th Cong., 2d Sess., reprinted in [1946] U.S. CODE CONG. & AD. NEWS 1274, 1275. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918); *Phi Delta Theta Frat. v. J.A. Buchroeder & Co.*, 251 F. Supp. 968, 975 (W.D. Mo. 1966) (quoting *Carnation Co. v. Pacific Westbound Conf.*, 383 U.S. 213, 218 (1966)); *United States v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 316 (N.D. Ohio 1949), modified, 341 U.S. 593 (1950); *National Fruit Prod. Co. v. Dwinell-Wright Co.*, 47 F. Supp. 499, 506-07 (D. Mass. 1942), *aff'd*, 140 F.2d 618 (1st Cir. 1944); S. OPPENHEIM & G. WESTON, *FEDERAL ANTITRUST LAWS* 772 (3d ed. 1968); E. ROGERS, *GOODWILL, TRADE-MARKS AND UNFAIR TRADING* 51-52 (1914); Pattishall, *supra* note 91, at 968.

114. *Carpa, Inc. v. Ward Foods, Inc.*, 536 F.2d at 48.

115. 15 U.S.C. §§ 1051-1127 (1970).

116. *Id.* § 1115(b)(7) (1970).

Act.¹¹⁷ Even after enactment of the new trademark law, it was argued, in *Timken Roller Bearing Co. v. United States*,¹¹⁸ that a trademark should be accorded special status and a violation of antitrust law excused as being actively ancillary to the maintenance of a trademark licensing arrangement. The Supreme Court rejected this position, pointing out that section 33(b)(7)¹¹⁹ of the Lanham Act explicitly recognizes a trademark's capacity for harm.¹²⁰

While acknowledging the dangers of trademark abuse, the courts have been uniformly cautious in impairing the value of a trademark in order to promote antitrust interests. The restrained handling of a trademark in an anticompetitive situation results in the prevailing rule that the use of a trademark will not be held to violate antitrust law unless it is the instrument by which the violation has been carried out.

In *Phi Delta Theta Fraternity v. J. A. Buchroeder & Co.*,¹²¹ a district court found such misuse of a trademark as to suggest that it might be appropriate to order cancellation of certain trademark registrations. This extraordinary remedy, a direct attack on the value of a registration, if not of a trademark, was suggested by flagrant abuse of trademark rights in the furtherance of an anticompetitive scheme. Specifically, defendants, producers of jewelry, entered into licenses throughout the country "as a means of securing . . . a monopoly of the insignia goods business of all of the college fraternities and sororities in the United States . . . with the intended result that [they] should be the only manufacturers, distributors, and vendors in the United States of items bearing fraternity . . . trademarks."¹²² In furtherance of this plan, a group of fraternities and sororities secured federal registrations of their "trademarks"—their insignia—and used them in bringing trademark infringement actions against would-be competitors of the defendants.

In suggesting that such a scheme might justify the cancellation of registrations, the court acknowledged the role trademarks played in the plan as a whole. Not only were the federal rights granted

117. See *Hearings on H.R. 82 Before the Subcommittee of the Committee on Patents, U.S. Senate*, 78th Cong., 2d Sess. 58-71 (Nov. 15-16, 1944).

118. 341 U.S. 593 (1951).

119. 15 U.S.C. § 1115(b)(7) (1970).

120. 341 U.S. at 599 (1953).

121. 251 F. Supp. 968 (W.D. Mo. 1966).

122. *Id.* at 971.

under the trademark statute used to thwart those rights sought to be preserved by another law, but the value of defendants' business was inextricably bound up with the value of the trademarks—defendants' goods would be virtually worthless without the insignia of the fraternities and sororities.¹²³

The principle of *Phi Delta Theta* became the rule of *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*.¹²⁴ In that trademark infringement case, defendant sought unsuccessfully to avail itself of section 33(b)(7) of the Lanham Act.¹²⁵ The court found numerous violations of antitrust law by plaintiff, but denied defendant's defense on the strength of *Phi Delta Theta*, stating that "[a]n essential element of the antitrust misuse defense in a trademark case is proof that the mark itself has been the basic and fundamental vehicle required and used to accomplish the violation."¹²⁶

Judicial reluctance to impair the value of a trademark is also reflected in a restrained approach to the fashioning of remedies intended to cure antitrust violations. The Supreme Court in *Timken*, after finding that the defendant had violated sections 1 and 3 of the Sherman Act¹²⁷ by means of various anticompetitive practices, including division of territories and price-fixing, granted an injunction against such practices, but did not order divestiture.¹²⁸ Divestiture of a part of defendant's business would have diminished the value of defendant's trademark to the extent that it represented goodwill.

The Court had reached a similar result in *United States v. Bausch & Lomb Optical Co.*¹²⁹ In that pre-Lanham Act case, defendant Soft-Lite was found to have violated sections 1 and 3 of the Sherman Act¹³⁰ by means of price-fixing and the imposition of various vertical restrictions in operating its distribution system. The Court observed that "as Soft-Lite limits itself to distribution only, the trade name, salesmanship and business experience of Soft-Lite are the qualities upon which it must primarily depend

123. *Id.*

124. 298 F. Supp. 1309 (S.D.N.Y. 1969), *aff'd*, 433 F.2d 686 (2d Cir. 1969), *cert. denied*, 403 U.S. 905 (1971).

125. 15 U.S.C. § 1115 (b)(7) (1970).

126. 298 F. Supp. at 1315. *See* Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366, 389 (7th Cir.), *cert. denied*, 426 U.S. 922.

127. 15 U.S.C. §§ 1, 3 (1970).

128. *Timken Roller Bearing Co. v. United States*, 341 U.S. at 601.

129. 321 U.S. 707 (1944).

130. 15 U.S.C. §§ 1, 3 (1970).

for its profits as a distributor.”¹³¹ Nevertheless, it specifically rejected the government’s contention that the defendant should be compelled to sell its goods to all would-be purchasers rather than to selected links in its distributive chain.¹³² Forcing Soft-Lite to sell to all would-be purchasers would have seriously diminished the value of its trademark by reducing its control over the trademark’s use.

Both *Timken* and *Bausch & Lomb* presented the Court with opportunities to correct anticompetitive conditions by impairing the value of a trademark. In *Timken*, the trademark was used in a licensing program, the operation of which resulted in violations of antitrust law. Attorneys for defendants placed the trademark on the line, so to speak, by suggesting that its presence justified otherwise illegal practices. Nevertheless, the Court adopted a cautious approach and did nothing to diminish the value of a trademark. In *Bausch & Lomb* the Court specifically recognized the importance of a trademark (trade name) in defendant’s distributive chain, but concluded that other violations of antitrust law should be enjoined.

Judicial reluctance to impair the value of trademarks has persisted. In *FTC v. Procter & Gamble Co.*,¹³³ defendant, the nation’s leading advertiser, sought to acquire Clorox, a national leader in the production and sale of laundry bleach. The Supreme Court concluded that a proposed merger between defendant and Clorox would violate section 7 of the Clayton Act,¹³⁴ and as a consequence, condemned the merger.¹³⁵

In reaching this result, the Court noted that Clorox was already the leader in its field, that its trademark was consequently well known and that, aided by defendant’s extraordinary advertising capacity, it might prove a barrier to entry into the bleach market.¹³⁶ Despite these observations, the Court took no action to impair the value of the “Clorox” trademark. Rather, it enjoined the merger. Whereas both defendant and the “Clorox” trademark forfeited whatever added value might have resulted from extensive advertising of “Clorox” by defendant, the existing value of the

131. 321 U.S. at 710.

132. *Id.* at 728-29.

133. 386 U.S. 568 (1967).

134. 15 U.S.C. § 7 (1970).

135. 386 U.S. at 604 (concurring opinion).

136. *Id.* at 579.

trademark, to both Clorox and the public, was not impaired.

Similarly, in *Ford Motor Co. v. United States*,¹³⁷ the Supreme Court, confronting a powerful trademark as well as anticompetitive conduct, chose to cure violations of antitrust law without damaging the trademark. In *Ford*, the Court held that a merger between the nation's second largest automobile manufacturer and Autolite, a leading producer of spark plugs, violated section 7 of the Clayton Act.¹³⁸ The Court ordered Ford's divestiture of Autolite and went beyond the decision in *Procter & Gamble* in refusing to permit Ford to use its own trademark on spark plugs for a period of five years.¹³⁹ Ford lost whatever value the "Autolite" trademark would have represented in its hands as well as any potential increase in the value of its existing trademark which might have resulted from a successful trade in spark plugs. On the other hand, neither trademark was irreparably damaged, and neither ceased to serve the public.¹⁴⁰

The courts have expressed the view that a trademark, although subject to misuse, should be protected. This attitude is reflected in judicial reluctance to attribute a violation of antitrust law to misuse of a trademark and restraint in the fashioning of remedies intended to cure violations.

C. *Compulsory Licensing and the Balance Between Antitrust and Trademark Interests*

The purposes of antitrust and trademark law are essentially complementary. It is misleading to brand a trademark a monopoly without distinguishing between the meanings that term has in two different legal contexts. Where a trademark is misused to violate antitrust law, appropriate steps may be taken to end abuses. The courts, however, consistently have recognized the value of a trademark, and have proceeded with caution both in finding misuse of a trademark and in adopting a remedy which might impair that value.

137. 405 U.S. 562 (1972).

138. 15 U.S.C. § 7 (1970).

139. 405 U.S. at 575-76. In *Procter & Gamble*, the Court had suggested that defendant's entry into the bleach market would promote competition. 326 U.S. at 580-81.

140. See also *Switzer Bros., Inc. v. Locklin*, 297 F.2d 39, 48 (7th Cir. 1961); *Cott Beverage Corp. v. Canada Dry Ginger Ale*, 146 F. Supp. 300, 303 (S.D.N.Y. 1956).

Compulsory trademark licensing is an unwarranted departure from a tradition of judicial restraint long practiced to promote the law's careful balancing of antitrust and trademark interests. The principles established by the cases may be reduced to two rules. The first is that where misuse of a trademark is not the cause of a violation of antitrust law, it is inappropriate to adopt a remedy that interferes with trademark interests.¹⁴¹ The record in a case must clearly establish that misuse of a trademark and not some other form of antitrust abuse is responsible for a violation of antitrust law before trademark interests can be jeopardized.¹⁴² To hold otherwise is to upset the careful balance between antitrust and trademark interests.

The second rule may be drawn from the cases and supported by reason. Even where it is shown that misuse of a trademark is the cause of a violation of antitrust law, it is inappropriate to adopt a remedy that invalidates the trademark. This rule follows from the nature of the wrong. Not the trademark, but its misuse, is the cause of a violation of antitrust law. Consequently, an appropriate remedy ought to end misuse while safeguarding a trademark in order to preserve a legitimate balance between antitrust and trademark interests.

Compulsory licensing does not merely end misuse. Rather, it invalidates a trademark by placing it in the hands of more than one business, thus rendering it worthless as a trademark. This result upsets the balance between antitrust and trademark interests which the law encourages.

It has been argued, however, that a trademark's misuse justifies its invalidation, even where some less drastic remedy directed

141. The opinion in *Borden* identifies several anti-competitive practices engaged in by the respondent:

These acts and practices included geographically discriminatory prices, promotional allowances tailored to combat competition in particular areas where competition had arisen, granting to selected key retail stores special allowances designed to eliminate, hinder or restrict sales of competitive processed lemon juices, and taking steps selectively to reduce the retail price of its premium priced product to a level so low as to make it virtually impossible for other producers of processed lemon juice to sell their products at prices above their own cost.

Slip op. at 156.

142. Doubt should be resolved in favor of trademark interests, and the need to interfere with those interests should be demonstrated by an exhaustion of alternative remedies, so that there may be an end to abuses without affecting rights to which the public has a legitimate concern. See *United States v. Bausch & Lomb Optical Co.*, 321 U.S. 707, 728-29 (1944).

at the evil sought to be cured will suffice to restore competition. This argument fails by focusing on the antitrust violator, while ignoring the public interest promoted in both trademark and antitrust law. A remedy intended to enforce either of these branches of law that fails to protect the public cannot be upheld on the ground that it punishes a violator. It has already been discussed at length that compulsory licensing fails to protect the public interest in trademarks. What has not been considered, but is no less apparent, is that the remedy does little to promote the public interest in competition.

A trademark symbolizes goodwill, which in turn is a measure of promotion and sales. Compulsory licensing strips a term of its trademark status and consequently undoes the adverse effects of past promotion and sales to the extent of existing goodwill. Insofar as monopoly power is a function of goodwill, a restraint on competition is removed by means of compulsory trademark licensing.

Nevertheless, invalidation of a trademark, while reducing existing goodwill, does not prevent the adoption and use of a new trademark by a violator. On the contrary, it hastens such adoption by leaving a violator without a means to identify its product. A new trademark, although initially of little value, acquires worth with the promotion and sale of the product whose source it identifies. A business with great advertising and marketing capacity quickly acquires goodwill. The business in the best position to acquire goodwill in a market is the violator of antitrust law, which by definition possesses far greater sales and promotional capacity than its competitors. Consequently, any purpose served by invalidating an existing trademark to promote antitrust interests is partially or completely undone by the violator's reacquisition of a superior market position by entirely lawful means.

Compulsory trademark licensing provides at best only a period of readjustment during which competitors match their sales and promotional capacity against the superior capacity of a violator who must build up goodwill in a new term. The advantage gained by the competitors is likely to be illusory. In the first place, the greater the value of a violator's original trademark, the greater its capacity for developing a new, equally well-known, trademark. Furthermore, competitors acquire nothing of value with the right to use a worthless term granted under a compulsory license.

The result brought about by compulsory trademark licensing

contrasts sharply with the effect of a restriction on advertising or a divestiture. A restriction on advertising under a trademark reduces the power of the trademark in the hands of the violator without invalidating it. Moreover, by not hastening the adoption of a new trademark by a violator, a restriction on advertising genuinely improves a competitor's position in relation to the violator, who cannot effectively reinforce goodwill through advertising. When a trademark is divested, it is taken intact from a violator and placed in the hands of a competitor. The remedy cures misuse of a trademark without invalidating it, and gives a competitor a valuable tool with which to compete in the marketplace—a valid trademark.¹⁴³

Both divestiture and restrictions on advertising advance both trademark and antitrust interests, whereas compulsory licensing injures trademark interests and at best serves antitrust interests poorly. This result is hardly surprising in light of the wrong sought to be remedied. For it is the acquisition, through advertising, and maintenance of excessive goodwill, symbolized by a trademark, which violates antitrust law; remedies that curb advertising and effectively reduce goodwill must afford the most satisfactory relief from both trademark and antitrust perspectives.

CONCLUSION

Compulsory trademark licensing is an inappropriate remedy for a violation of antitrust law. In practice, it adversely affects trademark and consumer interests and concurrently fails to promote antitrust interests. Conceptually, compulsory licensing reflects basic misunderstandings concerning the relationship between antitrust and trademark law as well as an ignorance of and disregard for the interests furthered by trademark law.

Less drastic and entirely appropriate remedies which recognize the rational underpinnings of trademark protection and respect the balance between the goals of antitrust and trademark law are readily available. These remedies, including divestiture and restrictions on advertising, should be adopted in place of compulsory licensing to correct violations of antitrust law where trademark misuse has been found to be the cause of such violations.

143. Also, a trademark will not have the same economic power in the hands of the divested portion of a business that it had in the hands of the business as a whole.

